

# Q2

2014



# Town of Colma Sales Tax *Update*

*Third Quarter Receipts for Second Quarter Sales (April - June 2014)*

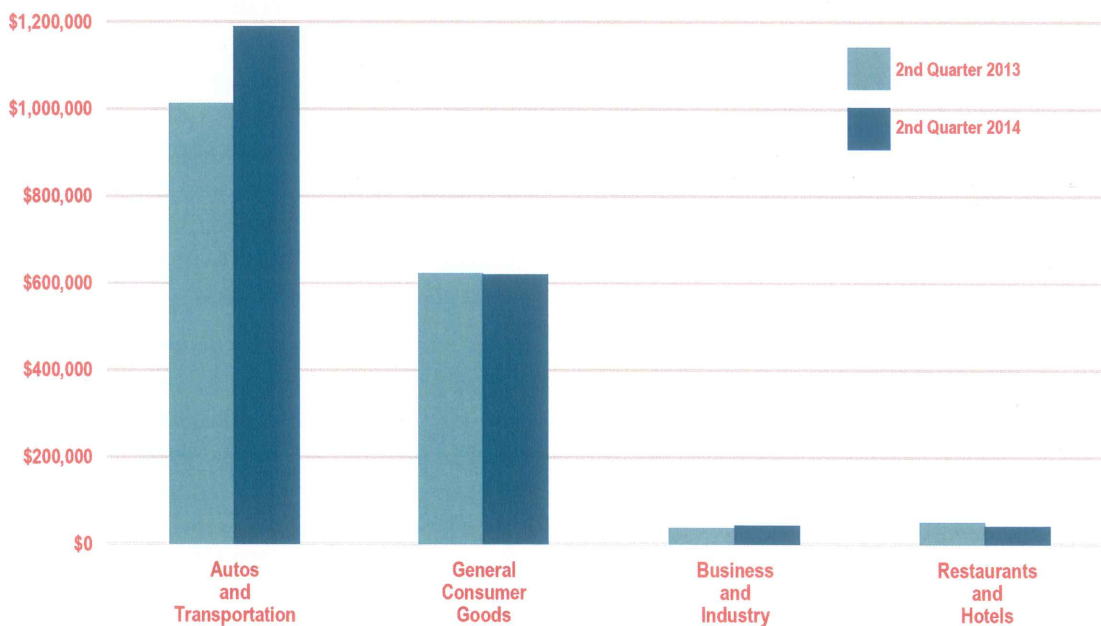
## Colma In Brief

Colma's allocation of sales and use tax from its April through June sales was 11.2% higher than the same quarter one year ago. Actual sales activity was up 10.2% after factoring out accounting adjustments that inflated receipts within the building-construction group while temporarily deflating restaurant revenues.

A solid quarter for auto sales and leases, family apparel and business supplies were primarily responsible for the actual gain. A rise in the countywide use tax allocation pool resulting from the trend toward increased online purchases of merchandise shipped from out-of-state was also a factor.

Adjusted for aberrations, sales and use tax receipts for all of San Mateo County increased 6.9% over the comparable time period, while the nine county bay area as a whole was up 6.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Babies R Us	Michaels Arts & Crafts
Bed Bath & Beyond	Nordstrom Rack
Best Buy	Office Depot
BevMo	Old Navy
Cypress Lawn Cemetery	Pacific Nurseries
Golden Gate Acura	Pacific Sales
Home Depot	Serramonte Auto Plaza
Honda of Serramonte	Serramonte Ford
Hyundai Serramonte	Stewart Chevrolet Chrysler
Kohls	Target
Lexus of Serramonte	Team Volkswagen
Lucky Chances Casino & Dining	Subaru
Marshalls	Toyota Lease Trust

## REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,999,899	\$2,205,779
County Pool	272,586	321,930
State Pool	1,414	1,718
Gross Receipts	\$2,273,898	\$2,529,427
Cty/Cnty Share	(113,695)	(126,471)
Net Receipts	\$2,160,203	\$2,402,956
Less Triple Flip*	\$(540,051)	\$(600,739)

\*Reimbursed from county compensation fund



### California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific "point of sale" in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

### Triple Flip - The End is in Sight

California's 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year's state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government's one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the "triple flip" and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

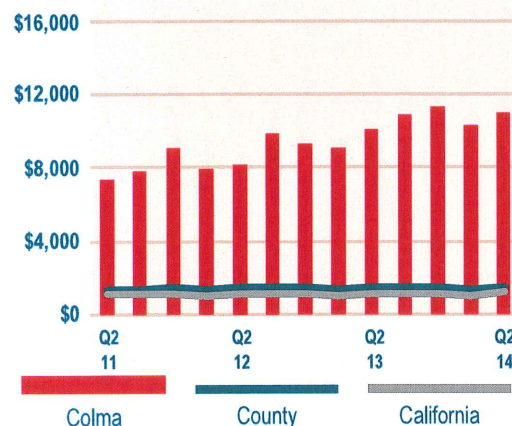
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

### Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state's use of property tax revenues to finance Proposition 198's minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

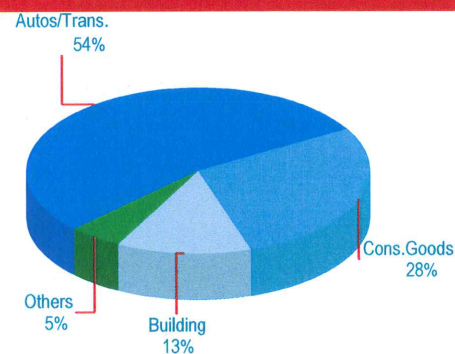
Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

### SALES PER ACCOUNT



### REVENUE BY BUSINESS GROUP

Colma This Quarter



### COLMA TOP 15 BUSINESS TYPES

Business Type	Colma		County	HdL State
	Q2 '14*	Change	Change	Change
Art/Gift/Novelty Stores	— CONFIDENTIAL —		-11.1%	1.9%
Auto Lease	45.9	19.9%	10.8%	15.4%
Department Stores	— CONFIDENTIAL —		-3.9%	2.0%
Discount Dept Stores	— CONFIDENTIAL —		-1.1%	2.9%
Electronics/Appliance Stores	86.4	-1.5%	-7.1%	-1.0%
Family Apparel	62.2	15.1%	42.6%	9.6%
Garden/Agricultural Supplies	— CONFIDENTIAL —		-6.3%	5.5%
Home Furnishings	51.8	3.9%	10.3%	6.8%
Leisure/Entertainment	— CONFIDENTIAL —		-21.9%	-11.8%
Lumber/Building Materials	— CONFIDENTIAL —		8.7%	9.0%
Morticians And Undertakers	44.1	11.3%	4.9%	0.7%
New Motor Vehicle Dealers	1,124.8	17.6%	15.1%	7.4%
Office Supplies/Furniture	— CONFIDENTIAL —		-28.2%	9.1%
Package Liquor Stores	— CONFIDENTIAL —		2.8%	6.9%
Specialty Stores	42.5	1.3%	34.3%	7.8%
<b>Total All Accounts</b>	<b>\$2,205.8</b>	<b>10.3%</b>	<b>5.8%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$323.6</b>	<b>18.1%</b>	<b>13.3%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$2,529.4</b>	<b>11.2%</b>	<b>6.7%</b>	<b>3.9%</b>
City/County Share	(126.5)	-11.2%		
<b>Net Receipts</b>	<b>\$2,403.0</b>	<b>11.2%</b>		